ARISTOTLE FUNDS

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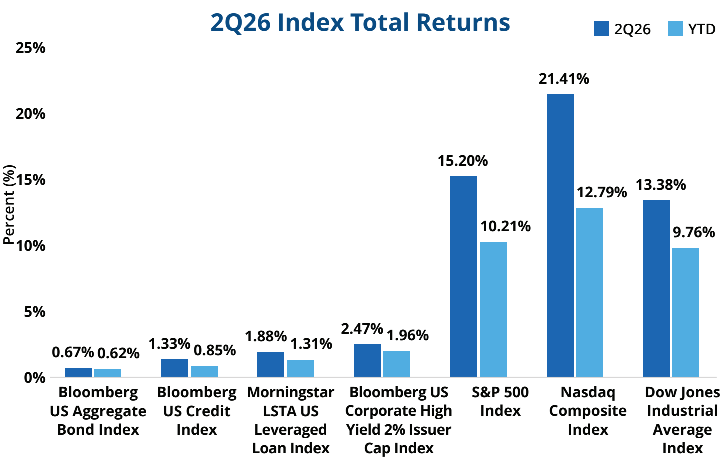
HIGH YIELD BOND FUND COMMENTARY

SUB-ADVISED BY ARISTOTLE PACIFIC CAPITAL, LLC

JUNE 30, 2026

Class A	Class C	Class I-2
PLAHX	**PLCHX**	**PLHYX**



Index	2Q26	YTD
Bloomberg US Aggregate Bond Index	0.67%	0.62%
Bloomberg US Credit Index	1.33%	0.85%
Morningstar LSTA US Leveraged Loan Index	1.88%	1.31%
Bloomberg US Corporate High Yield 2% Issuer Cap Index	2.47%	1.96%
S&P 500 Index	15.20%	10.21%
Nasdaq Composite Index	21.41%	12.79%
Dow Jones Industrial Average Index	13.38%	9.76%

Source: Bloomberg as of 6/30/26.

Market Review

U.S. equity and fixed-income markets generated positive total returns in the second quarter of 2026 as risk-on sentiment, a ceasefire between the U.S. and Iran, and a robust IPO market supported performance. Domestic equity indices were stronger across the board with small caps leading the way, while fixed-income performance favored longer maturities and lower credit quality.

- Artificial intelligence (AI) and technology more broadly continued to play an outsized role in U.S. markets as investors embraced debt and equity issuance alike. AI infrastructure needs drove a memory supplier's stock to gain over 241% in three months while also opening the door to the largest IPO in history with SpaceX.
- The U.S.-Iran conflict, which began on February 28th, paused on June 17th with the signing of a Memorandum of Understanding, thereby at least temporarily reopening the Strait of Hormuz to seaborne traffic and setting the stage for further talks around Iran's nuclear program. The long-term viability of the agreement remains to be seen as skirmishes continued by both sides through the end of June.
- Energy and precious metals weakened during the second quarter as the cessation of the Iran conflict and shifting Federal Reserve policy weighed on performance. As the Consumer Price Index (CPI) gained steam from the recent supply shock, the Fed opted to keep the fed funds rate unchanged but struck a hawkish tone at the June meeting and market expectations shifted from zero rate changes to at least one hike for the balance of 2026.

Credit investors enjoyed positive total returns during the second quarter as spread compression offset rising rates. The U.S. Treasury curve flattened as yields rose across maturities – the two-year note rose 35 basis points (bps) and the 30-year bond climbed to 5.18% in mid-May, a high-water mark last touched in 2007. High yield corporates outperformed investment grade peers and bank loans as falling energy prices and investor appetite for new issues backing data centers drove down option-adjusted spreads by 47 bps to end June at 270 bps. The AI-induced sell-off that defined the first quarter for the leveraged loan market continued to play out as software and services loan secondary prices fell over $2 to end June at $85.62. AI continued to provide a tailwind for equity markets, as memory chip manufacturers soared with Micron Technology gaining over 241% during the quarter, joining the trillion-dollar market capitalization club. Investors embraced new technology in the IPO market, as SpaceX launched a record $75 billion issuance in June that valued the company at $1.8 trillion, while both Anthropic and OpenAI filed to potentially go public in 2026.

The U.S. dollar gained 1.23% during the quarter as a hawkish shift in Fed messaging supported performance. Gold and oil, which were both outperformers during the first quarter, fell over 14% and 32% respectively in the second quarter as investors processed the uneasy peace from the Memorandum of Understanding between the U.S. and Iran. While the risk premium in oil has gone down, the long-term effects of the Strait of Hormuz closure remain to be seen in refined products, fertilizer, and shipping insurance. As of June 20th, commercial vessels exiting the critical chokepoint were less than a third of the 71 daily ship average seen in February just prior to the conflict. Cognizant of the effects of the supply shock, Kevin Warsh made the most of his first meeting as new Fed chair in June to set the tone for his approach to policy. The Fed kept the fed funds rate between 3.5%-3.75%, dropped forward guidance, and drove home an emphasis on price stability over full employment by ending the June statement with, “The committee will deliver price stability.”

Economic data has been resilient in 2026, but signs of weakness began to creep in during the second quarter. Monthly nonfarm payrolls were positive during the quarter, but the magnitude decreased each consecutive month, with June’s 57,000 print coming in at roughly half of consensus expectations coupled with downward revisions to the two prior months. U.S. unemployment ticked down a tenth of a point to 4.2% in June, but the driver of the change was less sanguine for future job growth as the decline was attributed to individuals leaving the workforce rather than new employment. The University of Michigan Consumer Sentiment Survey, which measures confidence and future expectations, troughed in May at the lowest level on record as concerns over affordability remain top of mind. Expectations aligned with CPI, which leapt from 2.4% in February to 4.2% in May, as the energy shock from the Iran conflict fed through the economy. The outlook was not all dour though, as the Fed’s Beige Book noted that manufacturing activity rose at a moderate to strong pace across three quarters of the 12 districts surveyed.

Asset Class Overview

The high yield market enjoyed a strong second quarter as geopolitical turmoil subsided and risk-on sentiment returned to leveraged credit. The Bloomberg U.S. High Yield 2% Issuer Capped Bond Index returned 2.47% during the period, as spreads compressed 47 bps with much of the move in April due to de-escalation of the Iran conflict and the fall in oil prices. The asset class remained well supported by corporate fundamentals, and while default activity has increased since the third quarter of 2025, it remained low relative to history as many weaker borrowers have migrated to private credit lenders. According to J.P. Morgan, the 12-month par-weighted U.S. high-yield bond default rate (including distressed exchanges) ended the quarter at 2.67%, below the 25-year monthly average of 3.20%. High yield issuance was robust during the second quarter as companies raised a total of $101 billion across 121 tranches with much of that associated with AI and M&A activity. To give a sense of AI’s impact on the market, the number of high yield corporate issues linked to expansion and capital expenditure rose from zero each year between 2023-2025 to over 14 new deals year to date in 2026 raising $29.55 billion.

	2Q26 Return	OAS	OAS to Start Year	YTW	YTW to Start Year	Duration	Duration to Start Year
US HY 2% Issuer Cap Index	2.47%	270	268	7.16%	6.57%	2.92	2.80
BB	2.26%	155	166	6.03%	5.60%	3.16	3.04
B	2.84%	277	270	7.25%	6.56%	2.65	2.53
CCC	2.98%	769	614	12.00%	9.84%	2.54	2.47

Source: Bloomberg as of 6/30/26.

Fund Performance

For the quarter, the Aristotle High Yield Bond Fund (Class I-2) returned 2.16% versus the Bloomberg US High Yield 2% Issuer Capped Bond Index return of 2.47%.

Portfolio Review

The second quarter of 2026 was characterized by elevated interest rate volatility as Treasury yields ultimately moved modestly higher. Despite the rate environment, high yield credit markets remained resilient, supported by healthy corporate fundamentals, favorable technicals, and continued demand for income-oriented assets. Higher-quality segments of the high yield market generally outperformed lower-rated credits as investors remained selective while credit spreads remained relatively stable.

During the quarter, the portfolio management team selectively increased overall credit quality following the increased risk positioning taken during the first quarter’s market weakness. While valuations remain relatively tight, the team continues to identify select higher yielding idiosyncratic opportunities where company-specific fundamentals provide attractive risk-adjusted return potential. The portfolio remains underweight cyclical sectors (e.g., building/housing, chemicals, packaging, and retail) where valuations appear less compelling, while maintaining overweight exposures to industries benefiting from durable secular and domestic growth trends, including financial institutions, electric utilities, midstream energy, and select technology and manufacturing companies. The strategy also maintains tactical allocations to BB rated CLOs and select bank loans where relative value opportunities remain attractive.

Although high yield spreads remain near the tighter end of historical ranges, all-in yields continue to provide an attractive income opportunity. Corporate fundamentals remain generally healthy, balance sheets are well positioned, and default expectations remain manageable. Given the current market backdrop, the team continues to emphasize disciplined security selection while maintaining flexibility to deploy capital should market volatility create more attractive entry points.

Fund Allocation

Portfolio exposures changed modestly during the second quarter of 2026 as the team continued repositioning the portfolio toward higher overall credit quality while maintaining exposure to attractive income opportunities. Investment-grade exposure increased during the quarter, while allocations to BB, B, and CCC rated securities were modestly reduced. Cash levels increased as the team remained patient amid tighter credit spreads and preserved flexibility to capitalize on future market dislocations.

From an industry perspective, the team modestly increased exposure to technology, electric utilities, and energy while reducing allocations to capital goods and insurance. Portfolio duration increased slightly to approximately 2.8 years as rates increased. The portfolio ended the quarter with 218 issues, about the same as the end of the first quarter, while maintaining tactical allocations to bank loans and CLOs as complementary sources of income and diversification and relative value allocations.

Contributors/Detractors

Modest underperformance versus the index reflected a combination of sector allocation and an off-benchmark allocation to Bank Loans, which performed well but didn't keep up with the high yield corporate market. The portfolio's off-benchmark allocations to investment-grade corporate bonds and CLOs contributed positively during the quarter, benefiting from attractive carry and resilient underlying credit fundamentals. These positive contributions were more than offset by security selection within portions of the corporate credit portfolio, particularly across select financial institutions and industrials holdings.

Within credit, issuer selection was mixed during the quarter. Positive contributors included holdings in Club Car (Majordrive Holdings), Luna, Convera, Calderys and Energy Transfer. These gains were more than offset by Acrisure, Howden Group, Albertsons, UKG, and Organon. Despite the modest relative underperformance during the quarter, the portfolio continues to benefit from a disciplined bottom-up research process focused on identifying companies with improving fundamentals, attractive valuations, and favorable long-term risk-adjusted return potential.

Manager Outlook

The high yield asset class rebounded in the second quarter of 2026 after the negative returns at the start of the year as fears around the ramifications of the Iran War began to subside. While the conflict has yet to be resolved, the market has become more confident that the tail risks of war, particularly heightened inflation driving up recessionary odds, can be avoided. Unsurprisingly, day-to-day geopolitical volatility has driven material shifts in the interest rate environment and the expected path of Federal Reserve policy. Entering 2026, the market was pricing in two interest rate cuts, but by the end of the second quarter, it was assigning increasing odds to an interest rate hike by year-end. The seesawing of rates and rate expectations drove a bifurcation in credit quality performance with BB spreads 42 bps tighter in the quarter while CCC spreads were 45 bps wider over the same period. AI disruption risks and private credit concerns continue to weigh negatively on certain sectors and lower credit quality in general.

One of the more topical themes of the year so far has been the rise of data center and AI related issuance, which rose from virtually zero to 3% of the HY index, contributing nearly $50 billion of new issuance. We have selectively participated in data center and AI-related issuance, particularly in earlier deal vintages where projects were closer to completion, reducing construction-related risk, and offering far more investor protections than more recent vintages. Demand for computing capacity remains robust, and while we remain wary of the potential risks of a bubble forming, we believe the current projects we have invested in are well supported.

Looking to the remainder of the year, we think the growth outlook appears intact for now, with GDP growth expectations still in the 2% area for 2026. Recent economic data points – including employment growth and ISM manufacturing and services PMIs in expansionary territory – continue to point to a resilient economy. We remain watchful of persistently elevated inflation and believe rates will be elevated for longer as a result, especially given recent Federal Reserve commentary. However, this backdrop should be supportive of the HY asset class, especially given compelling all-in yields near 7%. We continue to closely monitor developments in the Middle East, as a protracted conflict in the region presents significant downside risks to the global economy.

From a portfolio construction perspective, we think some underperforming sectors like select insurance brokers offer compelling risk-return profiles given we think the AI-related risks to the business are exaggerated. Since our base case remains that macro conditions will be stable enough for spreads in lower credit quality segments to compress, we continue to add to select discounted, lower credit quality tiers that offer compelling yields. Additionally, as mentioned above, we have also been methodically adding exposure to the AI and data-center-related buildout following the robust new issuance seen in those sectors. To cushion our overweight to lower credit quality tiers, we remain overweight defensive sectors such as utilities and midstream energy that should prove more resilient in the event of an economic downturn.

Performance as of 6/30/26

	Total Returns (%)			Annualized Total Returns (%)			
	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
Class A-NAV	2.10	1.55	4.31	7.40	3.48	5.22	5.36
Class A-MOP	-2.25	-2.79	-0.13	5.87	2.57	4.77	5.05
Class I-2	2.16	1.69	4.72	7.73	3.78	5.50	5.64
Bloomberg US High-Yield 2% Issuer Capped Bond Index	2.47	1.96	5.91	8.86	4.17	5.81	6.08

Top 10 Issuers	Weight (%)
MajorDrive Holdings IV, LLC	2.78
TransDigm Group Incorporated	2.55
Venture Global Partners II LLC	2.50
NRG Energy, Inc.	2.31
GFL Environmental Inc	1.95
Acrisure Holdings, Inc.	1.83
Allied Universal	1.76
Charter Communications, Inc.	1.67
Norwegian Cruise Line Holdings Ltd.	1.64
Ardonagh Group Holdings Limited	1.58
Total	**20.58**

Past Performance is not indicative of future results. *Returns reflect reinvestment of dividends/distribution. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Performance current to the most recent month end may be found at www.AristotleFunds.com/performance or by calling 1-844-274-7885. The investment advisor has contractually agreed to limit certain expenses through 7/31/28. Please see the current prospectus for detailed information.*

Class A shares at maximum offering price (MOP) reflect the deduction of the up-front 4.25% sales load. Performance reflects any applicable fee waivers and expense reimbursements. If a sales charge had been deducted, the results would have been lower.

Gross/Net annual operating expenses for Class A are 0.95%/0.95%. Gross/Net annual operating expenses for Class I-2 are 0.65%/0.65%, inception date 6/29/12.

Indexes are unmanaged and cannot be invested in directly. Further, they hold no cash and incur no expenses. All share classes may not be available at all firms and not all investors may be eligible for all share classes.

Definitions

One **basis point** equals 0.01%.

The **Bloomberg 1–3 Year US Government/Credit Bond Index** is a performance benchmark of U.S. investment-grade government and corporate bonds with maturities of one to three years.

The **Bloomberg Asset-Backed Securities (ABS) Index** is the ABS component of the Bloomberg U.S. Aggregate Index that measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

The **Bloomberg Short Treasury Total Return Index** is a performance benchmark of all U.S. Treasuries that have a remaining maturity between one and twelve months.

The **Bloomberg US Aggregate Bond Index** is composed of investment-grade U.S. government bonds, investment-grade corporate bonds, mortgage pass-through securities, and asset-backed securities, and is commonly used to track the performance of U.S. investment-grade bonds.

The **Bloomberg US Corporate Bond Index** includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market.

The **Bloomberg US Credit Index** measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities.

The **Bloomberg US High-Yield 2% Issuer Capped Bond Index** measures the performance of high-yield bonds with a 2% maximum allocation to any one issuer.

The **Dow Jones Industrial Average index (DJIA)** tracks the share price of the top 30 large, publicly owned U.S. companies which is often used as an indicator of the overall condition of the U.S. stock market.

Duration is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk.

Morningstar LSTA US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market.

The **Nasdaq Composite** is a stock market index that consists of the stocks that are listed on the Nasdaq stock exchange.

Option adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

The **S&P 500 index** is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the U.S. stock market.

Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

Investing involves risk. Principal loss is possible. The Fund is subject to liquidity risk (the risk that an investment may be difficult to purchase, value, and sell particularly during adverse market conditions, because there is a limited market for the investment, or there are restrictions on resale) and credit risk (the risk an issuer may be unable or unwilling to meet its financial obligations, risking default). High-yield/high-risk bonds ("junk bonds") and floating-rate loans (usually rated below investment grade) have greater risk of default than higher-rated securities/ higher-quality bonds that may have a lower yield. The Fund is also subject to foreign-markets risk.

This commentary represents the views of the portfolio managers at Aristotle Pacific Capital, LLC as of the publication date and are presented for informational purposes only. These views should not be construed as investment advice, an endorsement of any security, mutual fund, sector or index, or to predict performance of any investment. Any forward-looking statements are not guaranteed. All material is compiled from sources believed to be reliable, but accuracy cannot be guaranteed. The opinions expressed herein are subject to change without notice as market and other conditions warrant. Sector names in this commentary are provided by the Fund's portfolio managers and could be different if provided by a third party.

Investors should consider a fund's investment goal, risk, charges, and expenses carefully before investing. The prospectus contains this and other information about the fund and can be obtained at www.AristotleFunds.com. It should be read carefully before investing.

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Diversification does not assure a profit, nor does it protect against a loss in a declining market.

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